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ABSTRACT

This letter to The Honorable William F. Goodling, Chairman, Committee on Education and the Workforce, House of Representatives follows up on a previous report by the U.S. General Accounting Office to determine changes in college affordability at public and private 4-year colleges and public 2-year colleges in the last 5 years. The analysis focused on comparing changes in college tuition and fees, median household income, and the Consumer Price Index (CPI) for academic years 1995-96 through 1999-2000. In conducting this work, tuition and fee data on public and private 4-year colleges and on public 2-year colleges were obtained from the College Board. Median household income data from the Census Bureau and CPI data prepared by the Bureau of Labor Statistics were used to compare increases in tuition and fees, median household income, and consumer prices. In summary, in the last 4 years since the last report on tuition increases conducted for academic years 1990-91 through 1995-96, private colleges have continued to become less affordable when compared to median household income while public colleges have become slightly more affordable. Four-year private college tuition and fees increased 31% in the 5 years ending in academic year 1999-2000, a faster rate than median household income and the CPI. The 25% increase at both 2-year and 4-year public colleges was slightly less than the increase in median household income, but about twice the increase of the CPI. Contains seven figures. (EMS)

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United States General Accounting Office
Washington, DC 20548

Health, Education, and
Human Services Division

B-286237

September 26, 2000

The Honorable William F. Goodling
Chairman, Committee on Education
and the Workforce
House of Representatives

Subject: College Tuition and Fees: Changes in the 1995-96 to 1999-2000 Period Compared With Median Household Income

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The Honorable William F. Goodling
Chairman, Committee on Education
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Subject: College Tuition and Fees: Changes in the 1995-96 to 1999-2000 Period Compared With Median Household Income

Dear Mr. Chairman:

Paying for a college education ranks as one of the most costly expenditures American families face. Our previous reports show that attending college had become less affordable[1] for the average American family as increases in tuition and fees outpaced household incomes. In September 1998, we reported that, during the 5-year period from academic years 1990-91 through 1995-96, the average annual charges for tuition and fees for a full-time resident (in-state) undergraduate student rose 43.8 percent compared with an increase of 15.4 percent in the Consumer Price Index (CPI) and 13.8 percent in median household income in current dollars.[2] This difference continued a pattern that had been apparent for a much longer period. As we reported earlier, from academic year 1980-81 through 1994-95 the average annual tuition and fees for resident undergraduates at 4-year public colleges and universities rose nearly 3 times as much as median household income—234 percent compared with 82 percent.[3]

You recently asked that we follow up on our previous reports to determine changes in college affordability at public and private 4-year colleges and public 2-year colleges in the last 5 years. We focused our work on comparing changes in

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[1]"College affordability" as used in this report is measured by dividing the average college tuition and fees for each type of school by the median household income for that year. When tuition and fees become a larger percentage of median household income, college is considered to be less affordable.

[2]*Higher Education: Tuition Increases and Colleges' Efforts to Contain Costs* (GAO/HEHS-98-227, Sept. 30, 1998).

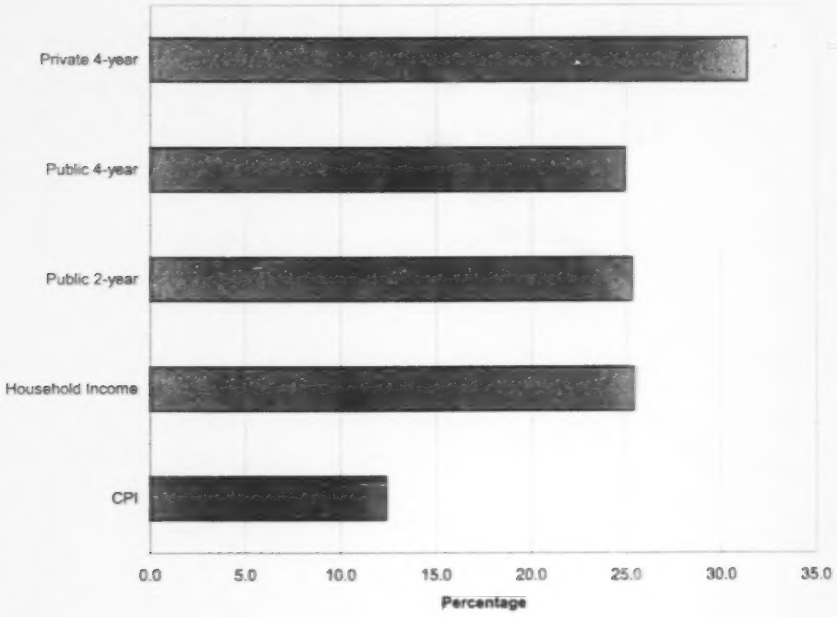
[3]*Higher Education: Tuition Increasing Faster Than Household Income and Public Colleges' Costs* (GAO/HEHS-96-154, Aug. 15, 1996).

college tuition and fees, median household income, and the CPI for academic years 1995-96 through 1999-2000. We did not consider other factors, such as the availability of scholarships and interest rates on student loans, which also affect affordability. In conducting this work, we obtained tuition and fee data on public and private 4-year colleges and on public 2-year colleges from the College Board. For our comparison of increases in tuition and fees, median household income, and consumer prices, we used median household income data from the Census Bureau and CPI data prepared by the Bureau of Labor Statistics. We conducted our review in August and September 2000 in accordance with generally accepted government auditing standards. We did not obtain comments on this letter from the Department of Education or other entities because we used published data from reliable sources as the basis for our work.

In summary, in the 4 years since our last report on tuition increases, private colleges have continued to become less affordable when compared to median household income while public colleges have become slightly more affordable. Four-year private college tuition and fees increased 31 percent in the 5 years ending in academic year 1999-2000, a faster rate than median household income and the CPI. The 25-percent increase at both 2-year and 4-year public colleges was slightly less than the increase in median household income but about twice the increase of the CPI, as shown in figure 1.[1]

[1]Throughout this letter, we use calendar year figures for household income and the CPI and academic year figures for tuition. Household income figures are available by calendar year, and tuition figures are available by academic year. We consistently matched household income and CPI data with the earlier portion of the academic year in our analyses. For example, for academic year 1999-2000, we used income and CPI figures for 1999. We estimated income data for 1999 using Census Bureau data.

Figure 1: Cumulative Change in Tuition and Fees, Median Household Income, and CPI, Academic Years 1995-96 to 1999-2000

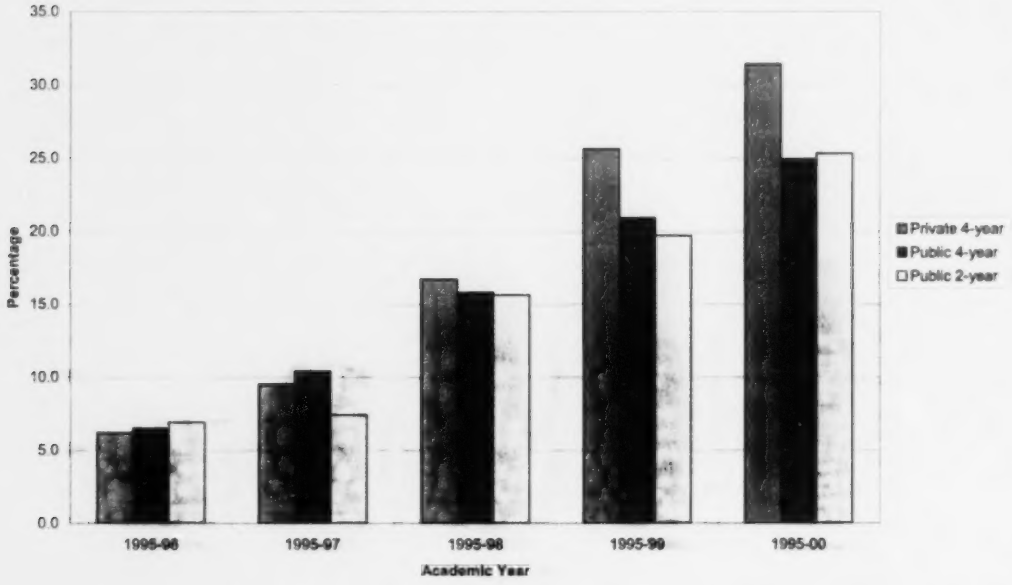


Sources: Tuition and fees data are from the College Board's *Trends in College Pricing 1999*. Median household income data are from the Census Bureau, and CPI data are from the Bureau of Labor Statistics.

Tuition and Fees Continue to Rise in Recent Years

The cumulative increase in tuition and fees in the recent 5-year period has been about 25 percent at both 2-year and 4-year public colleges and over 31 percent at private 4-year colleges, as shown in figure 2.

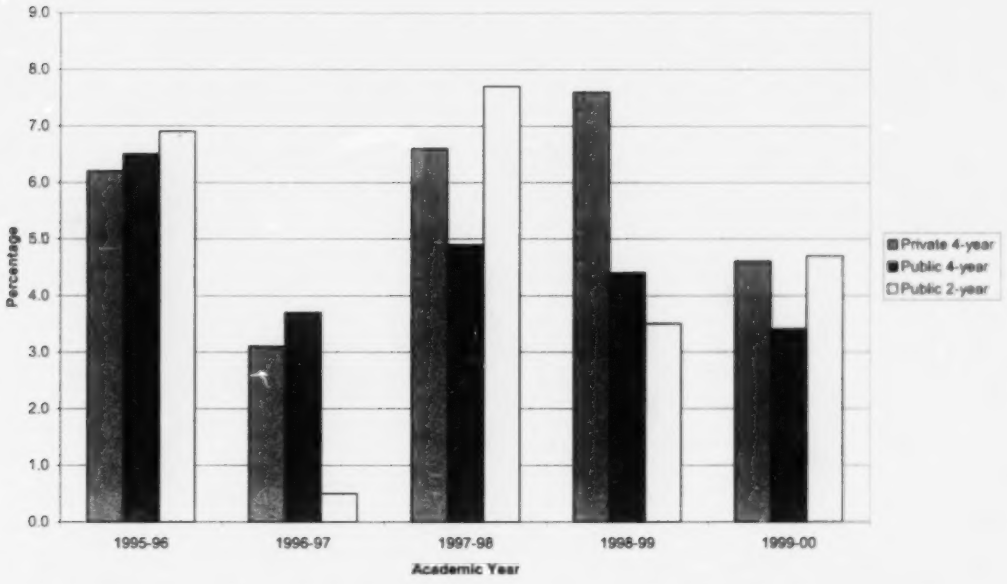
Figure 2: Cumulative Change in Tuition and Fees, Academic Years 1995-96 to 1999-2000



Source: Tuition and fees data are from the College Board's *Trends in College Pricing 1999*.

However, the relationship among the annual percentage increases in tuition and fees at the three types of schools considered has been highly variable in the last 5 years. As shown in figure 3, there is neither a consistent trend in the annual percentage change in tuition and fees for a given type of school nor a consistent relationship in the annual percentage change among the types of schools. For example, 2-year public colleges had the greatest percentage increase in three of those years and the lowest increase in the other two years. Comparing the two types of 4-year colleges, public 4-year colleges had a slightly greater percentage increase in the first two years of the period, while private 4-year college increases were markedly greater during the last three years.

Figure 3: Annual Percentage Change in Tuition and Fees, Academic Years 1995-96 to 1999-2000

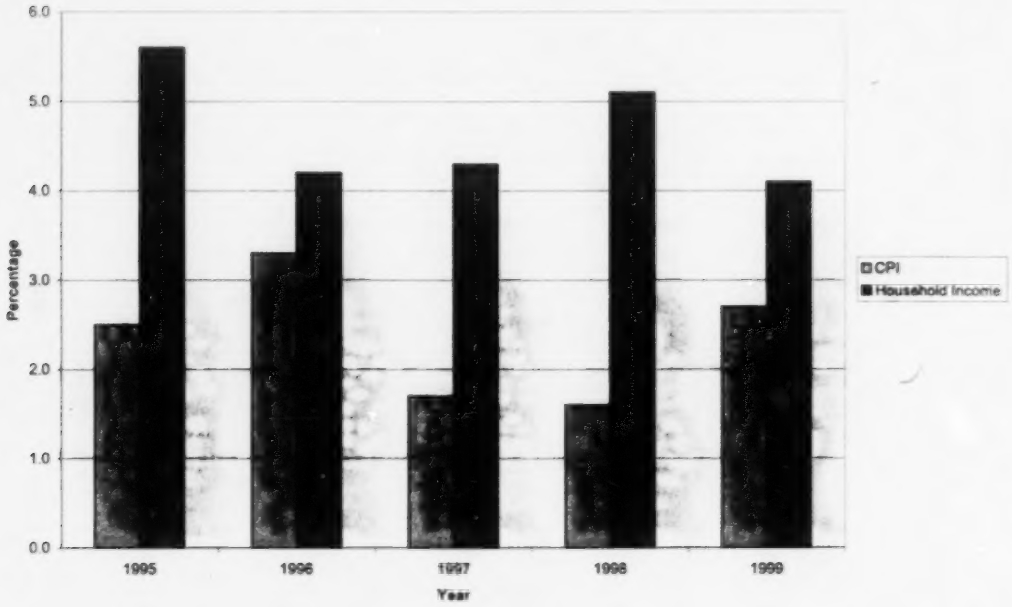


Source: Tuition and fees data are from the College Board's *Trends in College Pricing 1999.*

Household Income Levels Rose Faster Than the CPI

Median household income has shown substantial improvement during the recent 5-year period, rising by more than 4 percent each year. Moreover, household income exceeded the percentage increase in the CPI in each of the last 5 years (see fig. 4) and rose at twice the rate of the CPI for the 5-year period (25.4 percent compared with 12.4 percent).

Figure 4: Annual Percentage Change in Median Household Income and CPI, 1995 to 1999

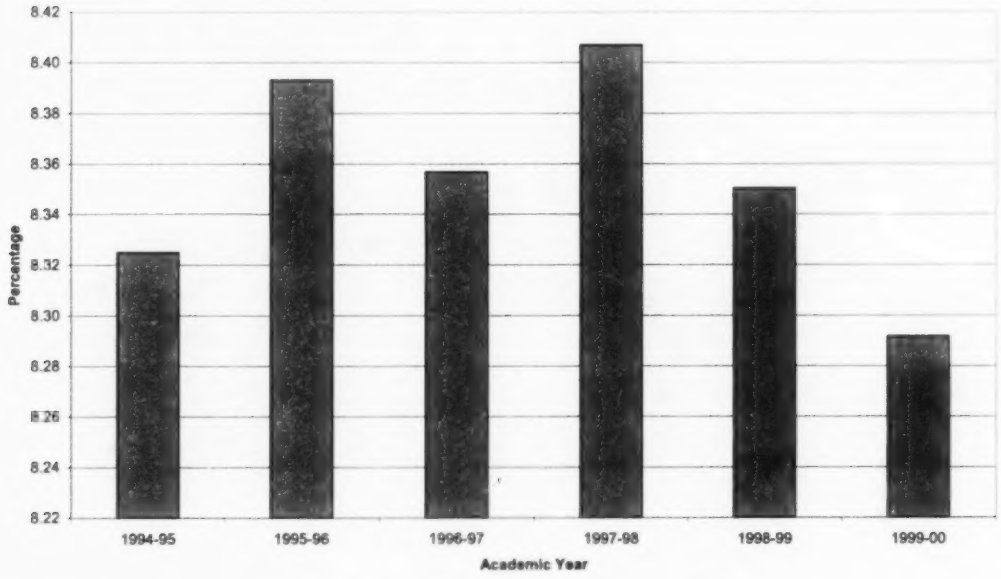


Sources: Median household income data are from the Census Bureau; CPI data are from the Bureau of Labor Statistics.

The Recent 5-Year Period Was One of Mixed Trends in Affordability

Compared with median household income, tuition and fees at 4-year public colleges became less affordable in the 1995-96 to 1997-98 period, but affordability improved markedly in each of the subsequent 2 years because median household income rose faster than tuition and fees. As a result, these colleges were slightly more affordable in 1999-2000 than they were in any of the five previous years, as shown in figure 5.

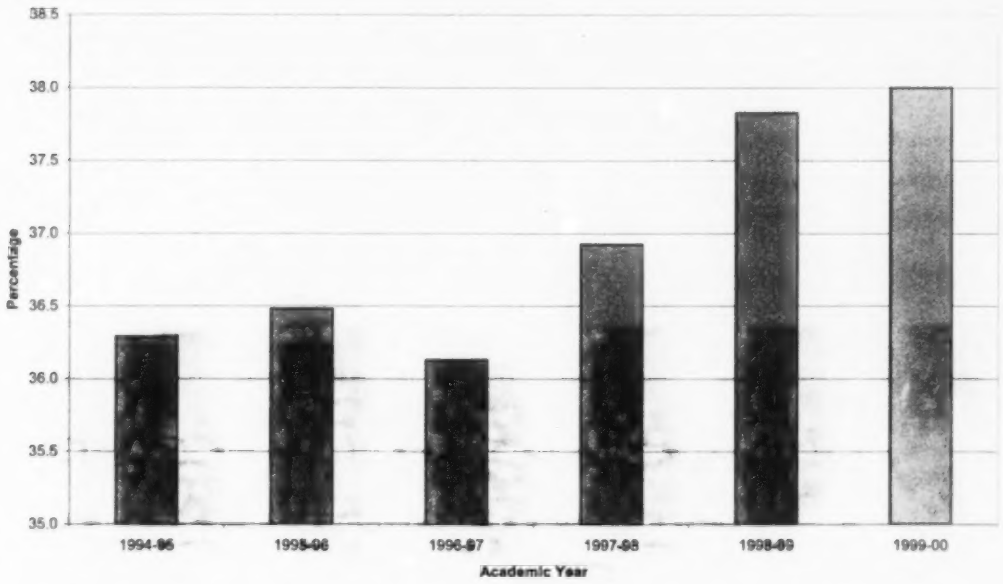
Figure 5: Four-Year Public College Tuition and Fees as a Percentage of Median Household Income, Academic Years 1994-95 to 1999-2000



Sources: Tuition and fees data are from the College Board's *Trends in College Pricing 1999*; median household income data are from the Census Bureau.

The picture is somewhat different at 4-year private colleges. As shown in figure 6, affordability at these colleges continued to decline during the recent 5-year period as tuition generally increased at a faster rate than median household income.

Figure 6: Four-Year Private College Tuition and Fees as a Percentage of Median Household Income, Academic Years 1994-95 to 1999-2000

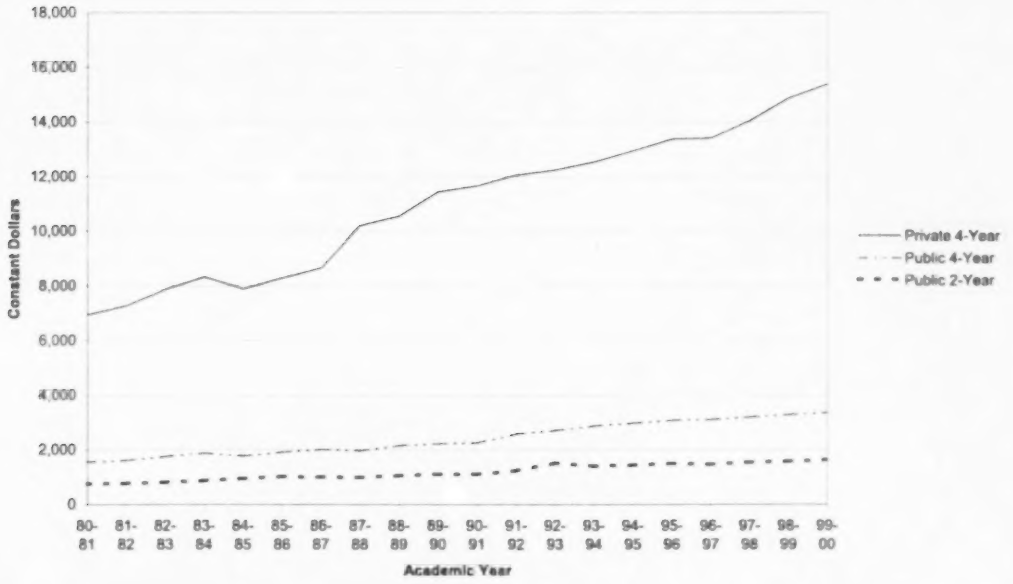


Sources: Tuition and fees data are from the College Board's *Trends in College Pricing 1999*; median household income data are from the Census Bureau.

Tuition and Fees in Constant Dollars Have Doubled Since 1980

Even when adjusted for inflation, annual tuition and fees for all types of colleges have more than doubled since 1980. As shown in figure 7, in academic year 1999-2000, average tuition and fees at 4-year private colleges were more than 4 times as much as those at 4-year public colleges ($15,380 compared with $3,356). Although the percentage increases in tuition and fees at private 4-year colleges and public colleges were roughly the same when adjusted for inflation,[5] tuition and fees at 4-year private colleges were much higher than public colleges in 1980. Thus, the dollar amount of the increase was much larger at 4-year private colleges over this 20-year period.

Figure 7: Average Tuition and Fees in Constant Dollars, Academic Years 1980-81 to 1999-2000

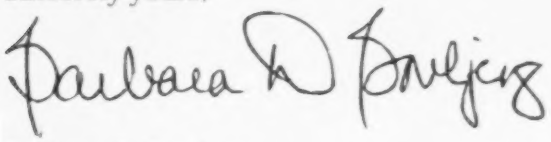


Source: Tuition and fees data are from the College Board's *Trends in College Pricing 1999*.

[5]The increase in tuition and fees in constant dollars at private 4-year colleges was 122 percent while the increase was 117 percent at both 2-year and 4-year public colleges during the 20-year period ending in 1999-2000.

We are sending copies of this letter to the Honorable Richard W. Riley, the Secretary of Education; appropriate congressional committees; and others who are interested. If you or your staff have any questions or wish to discuss this letter further, please contact me or Diana Pietrowiak, Assistant Director, at (202) 512-6239. Robert Miller, Charles Novak, and Charles Shervey also contributed to this letter.

Sincerely yours,



Barbara D. Bovbjerg
Associate Director, Education, Workforce, and Income Security Issues

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